Chapter 2

Prioritizing America's Households

The economic and health crises stemming from the COVID-19 pandemic required a coordinated response from all levels of government to protect the livelihoods of Americans. The Trump Administration took decisive action and worked with Congress to pass and sign three major bills in March 2020—the largest of which was the Coronavirus Aid, Relief, and Economic Security (CARES) Act—to address the economic fallout from the pandemic. As CARES Act provisions began to expire or dissipate in August, and in the absence of further Congressional action, President Trump followed up with a series of executive actions that extended further relief to American households.

A key goal of these policies was to provide financial support to American households weathering the sharp pandemic-fueled economic contraction. These policies were highly successful against this unprecedented event. Even as the unemployment rate climbed from a 50-year low of 3.5 percent in February 2020 to 14.7 percent two months later in April 2020, household incomes increased, thanks to Economic Impact Payments and to expanded and enhanced Unemployment Insurance. Lower-income households generally experienced the largest percentage income increases, and their monthly income in every month through at least August 2020 exceeded pre-COVID levels.

In addition to providing direct financial relief, the CARES Act and follow-up executive branch actions from the Trump Administration protected Americans against the risk of eviction and student loan defaults. Evictions fell below pre-COVID levels in cities across the United States, averting bouts of homelessness or shared housing that could pose additional health risks in the midst of the pandemic.

The long-run success of actions taken to support households will depend on the pace and depth of the economic recovery. Between April and November, the unemployment rate fell by 8.0 percentage points, from 14.7 percent to 6.7 percent, the largest seven-month decline on record. Almost 60 percent of all jobs lost between February and April had been recovered by November, as employment increased by 12 million over this period.

Continued economic recovery, supported by President Trump's executive actions designed to extend assistance beyond the expiration of CARES Act provisions, can pave the way back to the same strong economy that prevailed during the first three years of the Trump Administration, which was spurred in part by the Tax Cuts and Jobs Act and other pro-growth policies. Between 2016 and 2019, median net worth increased by 18 percent, with an increase of 32 percent for Black-headed households and 64 percent for Hispanic-headed households. Median income increased by 9.7 percent between 2016 and 2019, and the one-year 6.8 percent increase in 2019 was the largest one-year increase ever recorded. Poverty hit a record low in 2019 for all racial and ethnic groups, and fell by the largest amount (1.3 percentage points) in over 50 years. With continued pro-growth policies, including deregulation and the continued benefits of the Tax Cuts and Jobs Act, the pre-COVID economy can be attained again, and households will continue to benefit from the gains experienced during the first three years of the Trump Administration.

The partial shutdown of the U.S. economy in response to COVID-19 was unprecedented. Over 90 percent of Americans were affected by statewide school closures and restrictions on bars and restaurants by late March and were subject to State-level stay-at-home orders by early April. As a result of these events, between February 2020 and April 2020 the unemployment rate increased from the lowest level in over 50 years (3.5 percent) to the highest level since the Great Depression (14.7 percent). Aggregate, pretransfer disposable income in the United States fell by 9 percent between February and April, the largest two-month reduction ever recorded. Because job losses were concentrated among lower-wage workers, the reduction in pretransfer income hit lower-income households the hardest, threatening their ability to pay for rent, food, and other basic necessities.

Due to the rapid and unprecedented actions taken by President Trump and Congress, these harmful effects on American households were strongly mitigated. On March 20, 2020, President Trump delayed Tax Day, providing liquidity to Americans with tax liabilities. And following two other important pieces of legislation, on March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law, providing $2.2 trillion in relief for households and businesses. A family with two children and an income below $150,000 received an Economic Impact Payment of $3,400, almost twice as much as the maximum $1,800 stimulus checks provided during the Great Recession. And unlike the Great Recession stimulus payments, full Economic Impact Payments were available to the lowest-income households with no tax liability. The CARES Act also provided unprecedented relief to those workers who lost their jobs. A supplemental $600 weekly Unemployment Insurance (UI) payment ensured that most workers who lost their jobs did not experience a reduction in income, and eligibility was expanded to workers not typically eligible for UI benefits. The CARES Act further placed a moratorium on foreclosures and evictions in homes with federally backed mortgages. Earlier legislation extended paid leave benefits for families that could not work due to illness or to care for children affected by school closures.

President Trump provided additional relief to households when CARES Act provisions expired, and Congress was unable to reach a consensus on extensions. He issued several important executive actions on August 8, 2020, providing $300 a week in supplemental Federal assistance to unemployed workers; deferring the employee portion of payroll taxes through the end of 2020; issuing an order to assist renters unable to pay their rent, and ultimately imposing a moratorium on evictions from all rental housing through the end of 2020; and extending the deferral of student loan payments with no interest through the end of 2020. These executive branch actions ensured that many households would continue to receive relief in the absence of further legislative packages.

Due to the CARES Act and subsequent executive action by the Trump Administration, poverty and income inequality fell, and most workers who lost their jobs experienced no income loss while receiving supplemental unemployment benefits. In the months immediately after passage of the CARES Act, households across the income distribution saw an increase in income relative to pre-COVID levels. The gains were largest for the lowest-income households. For example, for households at the 25th percentile, monthly incomes spiked by 127 percent in April, largely due to Economic Impact Payments; and these households were still above pre-COVID levels from May through August, largely due to expanded UI benefits. In fact, Economic Impact Payments alone were large enough to keep a family of four out of poverty for 1.5 months even if they lost all other income. Expanded UI benefits ensured that the vast majority of unemployed workers received at least as much from UI as they did from

working. Though these UI payments would typically create strong work disincentives, the partial economic shutdown between April and July mitigated such concerns (Altonji et al. 2020; Bartik et al. 2020; Marinescu, Skandalis, and Zhao 2020). The somewhat reduced emergency lost wages assistance issued under President Trump's executive action in August alleviated some of the work disincentives of the $600 payments as the recovery from March and April proceeded, while continuing to provide additional support to unemployed workers.

These actions helped pave the way for a strong economic recovery. Between April and November, the unemployment rate fell by 8.0 percentage points, from 14.7 percent to 6.7 percent, the largest seven-month decline on record. Continued economic recovery, combined with President Trump's executive actions extending assistance to many households beyond the expiration of key CARES Act provisions, can pave the way to attaining the historically strong pre-COVID labor market and overall economy.

A strong economy is the most effective tool for lifting up households in the long term. From when President Trump was elected in 2016 until 2019, median net worth increased by 18 percent, with the biggest gains for minority groups. Median net worth increased by 32 percent for Black-headed households and by 64 percent for Hispanic-headed households (Federal Reserve Board of Governors (2020a, 2020c). Median income increased by 9.7 percent between 2016 and 2019, and increased by 6.8 percent in 2019 alone, the largest one-year increase ever recorded. In 2019, poverty fell by the largest amount (1.3 percentage points) in over 50 years and hit a record low. Black poverty fell below 20 percent for the first time ever. Continued pro-growth policies, including deregulation and the continued benefits of the Tax Cuts and Jobs Act (TCJA), can help ensure that the pre-COVID economy can be attained again, allowing households to continue seeing the gains experienced during the first three years of the Trump Administration.[1]

The Strength of the Pre-COVID Economy and the COVID-19 Shock

The Trump Administration's policies have focused on spurring economic growth and job creation. Deregulation has reduced the costs for businesses to invest and hire workers. Tax reform has encouraged new capital investment and has reduced taxes on households that impose high effective tax rates on work, particularly at the lower end of the income distribution. Other policies—such as expanded childcare assistance for low-income workers, Opportunity Zones, and record investments to lessen the opioid epidemic—have helped

[1] The CEA previously released research on some of the topics discussed in this chapter. The text of this chapter builds on the CEA report "Evaluating the Effects of the Economic Response to COVID-19" (CEA 2020).

spur job growth for those remaining on the sidelines of the labor market. Until COVID-19 struck, the result of these policies was higher economic growth and a strong labor market, especially for the most disadvantaged Americans.

Between January 2017, when President Trump took office, and February 2020, the U.S. unemployment rate fell from 4.7 to 3.5 percent, the lowest level in 50 years. Traditionally, disadvantaged Americans experienced the largest labor market gains. Between January 2017 and February 2020, the unemployment rate for Black Americans fell by 1.7 percentage points and for Hispanic Americans by 1.4 percentage points, which was even larger than the overall decline of 1.2 percentage points.

The rise in labor demand not only brought more workers into the workforce but also increased wages. Real average hourly earnings rose 3.2 percent between January 2017 and February 2020. Wage growth was fastest for the lowest-wage workers, who through the first three years of the Trump Administration saw a nominal wage increase of 11.7 percent—4.2 percentage points higher than the growth of median wages for all workers during the same period.

Increased employment and wages translated into large income gains for households. Between 2016 and 2019, U.S. median pretax household income increased by 9.7 percent. Due to the TCJA, after-tax income grew even faster. For example, a family of four with an income of $82,500 now pays $2,300 less in taxes than before the TCJA, according to the Tax Policy Center's Tax Cuts and Jobs Act Calculator.

Households across the income distribution experienced income gains during the first three years of the Trump Administration. Pro-growth policies reduced poverty by 2.2 percentage points (6.6 million people) between 2016 and 2019. And the poverty rate reached an all-time record low of 10.5 percent in 2019. All racial and ethnic groups reached record low poverty rates, with the Black poverty rate falling below 20 percent for the first time ever.

Family wealth also increased during the Trump Administration. Between 2016 and 2019, overall median net worth increased by 18 percent, with increases of 32 percent for Black-headed families and 64 percent for Hispanic-headed families. Net worth increased the most for lower-middle-wealth families (those between the 25th and 50th percentiles of net worth), who saw a 22 percent increase in mean net worth. Homeownership increased by 1.2 percentage points between 2016 and 2019, the first three-year increase documented by the Survey of Consumer Finances since 2004 (Federal Reserve Board of Governors 2020b, 2020d).

The strong economic growth that lifted up all households between 2016 and 2019 was disrupted by the COVID-19 pandemic. Between February 2020 and April 2020, the unemployment rate spiked, from 3.5 percent to 14.7 percent—and this 11.2-percentage-point increase alone was larger than the peak unemployment rate reached during the Great Recession. Job vacancies

fell more than 40 percent by late April (Forsythe et al. 2020). The Congressional Budget Office forecasted in May 2020 that the unemployment rate would be 15.8 percent in 2020:Q3 and 11.5 percent in 2020:Q4, which would mean an unemployment rate that continued to exceed the Great Recession's peak for the remainder of 2020. In reality, the unemployment rate fell lower than these predictions; in November, it was only 6.7 percent, well below what the office (CBO 2020) had predicted.

Policy Responses Providing Household Relief

In response to the sudden and severe shock caused by COVID-19, Congress quickly passed and President Trump signed into law three pieces of legislation in March 2020: the Coronavirus Preparedness and Response Supplemental Appropriations Act, on March 6, 2020; the Families First Coronavirus Response Act, on March 18, 2020; and the CARES Act, on March 27, 2020 (which was supplemented in April by the Paycheck Protection and Health Care Enhancement Act). After certain provisions of these acts expired, and in the absence of forthcoming legislation, President Trump issued a series of important executive actions on August 8, 2020: an Executive Order on Fighting the Spread of COVID-19 by Providing Assistance to Renters and Homeowners (White House 2020a); a Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster (White House 2020d); a Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019 (White House 2020b); and a Memorandum on Continued Student Loan Payment Relief During the COVID-19 Pandemic (White House 2020c). This section summarizes the provisions of these laws and executive actions that have provided direct relief to American households.

March 2020 Legislative Acts

The Coronavirus Preparedness and Response Supplemental Appropriations Act, which was signed into law by President Trump on March 6, 2020, provided $8.3 billion to fund the initial health response to COVID-19. The funding focused on vaccines, therapeutics, testing, and general responses to the health emergency, in addition to funding international relief efforts.

The Families First Coronavirus Response Act (FFCRA), which was signed into law by President Trump on March 18, 2020, provided assistance for households and State governments at an estimated cost of $192 billion. The FFCRA required certain employers with fewer than 500 employees to provide their employees with paid sick and family leave for COVID-related work absences, which would be fully reimbursed by the Federal government through refundable tax credits. To help fund the provision of leave benefits up front, firms were allowed to access tax withholdings that would otherwise be required to be deposited with the Internal Revenue Service (IRS), or to receive the tax

credit as an advanced payment from the IRS for the amount not covered by previously withheld taxes. Workers were entitled to 2 weeks of paid sick leave covering up to 100 percent of wages, and to an additional 10 weeks of paid family and medical leave covering up to 67 percent of wages, with certain caps on wages. The FFCRA also increased Federal funding for Unemployment Insurance Extended Benefits and Medicaid, suspended work requirements in the Supplemental Nutrition Assistance Program, and provided no-fee COVID-19 testing and emergency care for all Americans covered by Medicare, Medicaid, and the Children's Health Insurance Program.

The largest legislative package was the CARES Act, which was signed into law by President Trump on March 27, 2020. The CARES Act provided $2.2 trillion in relief to households and businesses affected by COVID-19. For context, the major legislative response to the Great Recession, the American Recovery and Reinvestment Act of 2009, provided $836 billion over 10 years (in 2009 dollars).

Economic Impact Payments, at a cost of $292.4 billion (JCT 2020), were a key provision of the CARES Act intended to provide immediate relief to households. Each eligible adult could receive up to $1,200 and $500 for each qualifying child, and these payments were phased out at higher incomes. A family making less than $150,000 a year with two parents and two children would receive $3,400, even if they had no tax liability. By contrast, stimulus payments during the Great Recession offered a family of four a maximum of $1,800 and offered no payment at all to those with no tax liability and less than $3,000 in qualifying income. Economic Impact Payments were distributed quickly, with the IRS reporting that it had sent out nearly $267 billion in payments to 159 million Americans by June 3.

The CARES Act provided an additional $347 billion in targeted relief to Americans who lost their jobs. Federal Pandemic Unemployment Compensation (FPUC) offered every beneficiary of unemployment insurance an additional $600 a week in unemployment benefits from March 29, 2020 through July 31, 2020. For example, a worker typically earning $400 a week may receive $200 in regular UI benefits upon becoming unemployed. Under FPUC, the worker would receive an additional $600, for a total of $800 per week. Pandemic Emergency Unemployment Compensation provided an additional 13 weeks of UI benefits for workers who exhaust their regular State benefits, for a total of 39 weeks of coverage in most States (in addition to potential coverage by Extended Benefits). Pandemic Unemployment Assistance granted UI benefits to workers not eligible for regular State unemployment insurance benefits, such as self-employed workers, gig workers, business owners, independent contractors not participating in the UI elective coverage program, and workers with insufficient work history to normally receive unemployment benefits. This assistance for unemployed workers was complemented by the Paycheck Protection Program (PPP), which helped ensure that businesses could keep their workers on payroll and avoid the need to draw unemployment assistance.

The CARES Act also provided loan repayment assistance. Homeowners with federally backed mortgages who experienced financial hardship due to COVID-19 were allowed to suspend payments for up to 180 days, with the possibility of an extension of up to 180 more days. During this period, no interest or fees would accrue. The CARES Act also prohibited foreclosures on homes with federally backed single-family mortgages for at least 60 days starting on March 18, 2020, and prohibited evictions of tenants in certain federally supported rental properties for 120 days starting March 27, 2020. To allow families to borrow money if needed, holders of individual retirement accounts (IRAs) that were adversely affected by COVID-19 could take a distribution from their IRA and treat this distribution as a tax-free rollover, provided they recontribute the amount within three years. The CARES Act also ensured that consumers' credit did not suffer due to the virus; if consumers had an agreement with their lender to delay payments or make a partial repayment, they would not receive a negative credit report.

The CARES Act also included provisions to protect student loan borrowers. Employers were provided with the ability to make up to $5,250 in student loan payments through December 31, 2020 for each employee without incurring taxes. In addition, through September 30, 2020, student loan payments and interest accruals for Department of Education-held Federal student loans were suspended, and involuntary collections related to student loans through wage garnishments, tax refund reductions, and negative credit reporting were also suspended for loans held by the Department of Education.

Finally, the CARES Act also allowed for $150 billion in State and local government aid. Because many State and local governments, particularly those without savings or whose revenues rely heavily on sales taxes, have struggled to retain employees during the pandemic, this measure is estimated to have saved over 400,000 public sector jobs (Green and Loualiche 2020).

President Trump's Executive Actions

Key CARES Act provisions expired in July, and, although the economy was in the midst of a strong recovery, a substantial share of Americans had yet to return to work. The last week of July was the final week for which the CARES Act provided enhanced UI benefits to unemployed workers. The moratorium on evictions and foreclosures in homes with federally backed mortgages expired on July 24. In the absence of Congressional action, the Trump Administration took a series of executive actions on August 8, 2020.

President Trump's Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019 directed up to $44 billion to be provided in Federal lost wages assistance. In order to be eligible for Federal lost wages assistance, claimants were required to self-certify that they were unemployed or partially unemployed due to COVID-19 and that they had already received at least $100 a

week in benefits. As a result, in addition to their regular UI benefits, claimants were eligible for up to another $400 a week, $300 of which was provided by the Federal Government. These benefits were set to terminate when Federal funds were exhausted, but no later than December 6, 2020.

Executive Order 13945 aimed to minimize evictions and foreclosures and thereby prevent homelessness or shared housing situations during the pandemic. The Centers for Disease Control and Prevention (CDC) reported that some racial and ethnic groups were disproportionately more likely to be evicted, and that homeless shelters and shared housing are particularly susceptible to COVID outbreaks. The order authorized the CDC Director to temporarily halt evictions for failure to pay rent, the Secretary of the Treasury and the Secretary of Housing and Urban Development (HUD) to identify available Federal funds for temporary financial assistance to homeowners suffering financial hardship resulting from COVID, and the Secretary of HUD to aid homeowners and renters in avoiding foreclosure, for example, by providing housing authorities or landlords with financial assistance.

In addition, the Director of the Federal Housing Finance Agency (FHFA) was directed to review resources that might be used to prevent evictions and foreclosures due to COVID-19. In response to Executive Order 13945, FHFA extended the moratorium on foreclosures in homes with federally backed mortgages through the end of 2020, and CDC declared that eligible renters in any type of property facing potential homelessness or shared housing situations could not be evicted.

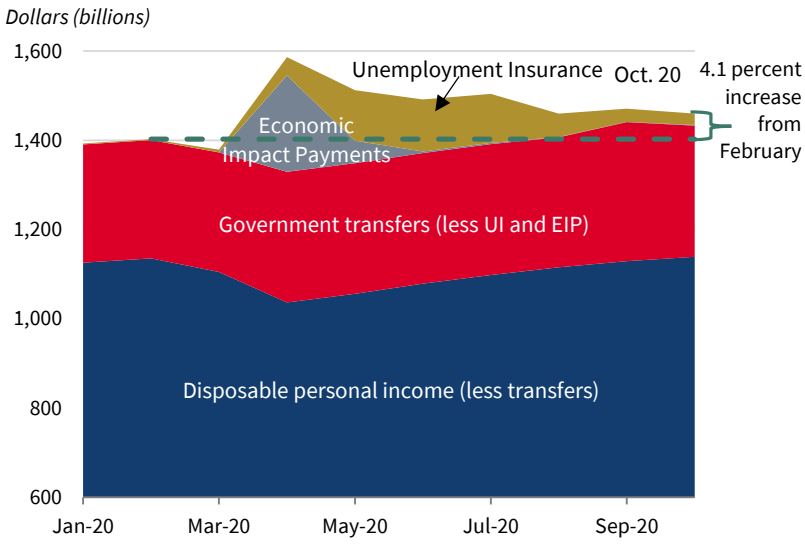
President Trump's Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster authorized the Secretary of the Treasury to defer certain payroll tax obligations for Americans in need, relaxing temporary liquidity constraints for workers. At the employer's discretion, this deferral was available to employees with pretax biweekly wages below $4,000. In addition, President Trump instructed the Secretary of the Treasury to explore additional avenues to eliminate the obligation to eventually pay these deferred taxes.

Finally, President Trump's Memorandum on Continued Student Loan Payment Relief During the COVID-19 Pandemic extended the deferment of payments and waived interest on student loans held by the Department of Education through December 31, 2020.

The Impact of Policies in Providing Relief to Households

Due to their magnitude and coverage, the legislative acts and executive actions taken to counter the negative consequences of COVID-19 had large effects on U.S. households. As shown in figure 2-1, in 2020 real disposable income *excluding* government transfers experienced the largest two-month decline on record

Figure 2-1. Monthly Disposable Personal Income, 2020



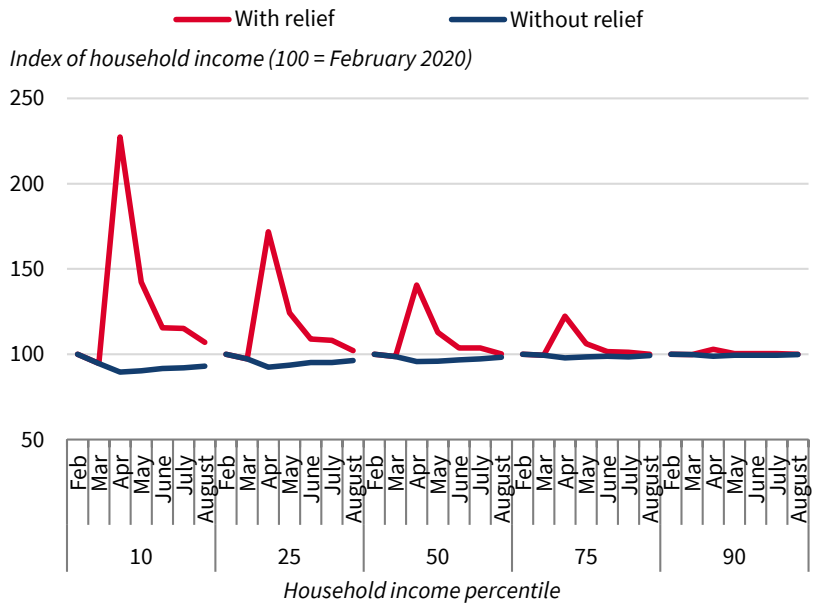
Sources: Bureau of Economic Analysis; CEA calculations.
Note: UI = Unemployment Insurance benefits; EIPs = Economic Impact Payments.

between February and April (8.7 percent) and remained suppressed through August. However, real disposable income *including* government transfers experienced the largest two-month increase on record between February and April (13.1 percent) and remained elevated through the time of publication.

The historic rise in posttransfer disposable income was a result of CARES Act provisions that provided relief to households. In combination, total Economic Impact Payments and Unemployment Insurance benefits paid between April and August were over twice as large as the loss in pre-transfer disposable income incurred over the same period. Economic Impact Payments alone replaced 79 percent of the total reduction in pretransfer disposable income, and UI benefits on their own replaced 126 percent of the total reduction in pretransfer disposable income. This is largely a result of the $600 Federal UI weekly supplement. Ganong, Noel, and Vavra (2020) estimate that 76 percent of workers who were eligible for regular UI benefits in April through July received more in unemployment assistance than they would have received from their typical earnings. Though such assistance would normally create severe employment disincentives, these concerns were mitigated by the health benefits of staying home during the pandemic.

As a result of the Federal Government's unprecedented response to the pandemic-induced economic crisis, lower-income households experienced the largest income gains during the COVID crisis. Figure 2-2 simulates the trajectory of household income at different points of the income distribution—with and

Figure 2-2. Index of Household Income by Percentile, 2020



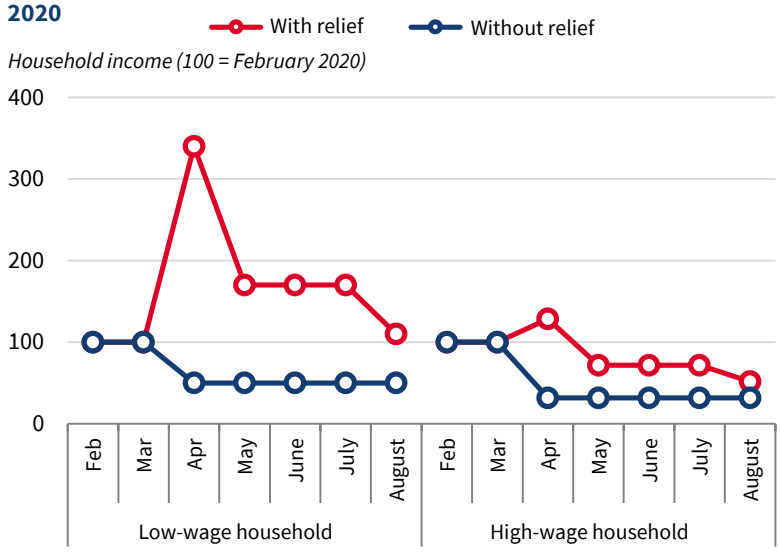
Sources: Census Bureau, Current Population Survey, Monthly and Annual Social and Economic Supplement; CEA calculations.
Note: For the methodology used here, see CEA (2020).

without Economic Impact Payments and expanded UI. Without these provisions, a household at the 10th percentile of the income distribution would have experienced a 10 percent reduction in income in April 2020 compared with its February 2020 level, and its income would have remained 7 percent lower by August. However, because of expanded UI and the Economic Impact Payments, its monthly income was 127 percent higher in April, 42 percent higher in May, 15 percent higher in June and July, and 7 percent higher in August compared with February 2020. The spike in income in April is largely a result of the Economic Impact Payments, while the continued elevated income in May through August is largely a result of expanded UI.

Because figure 2-2 includes all households, it does not show how important the CARES Act and later executive actions were for preserving the income of households experiencing job losses. Figure 2-3 provides a more specific example of a household with two adults and two children, with one worker who loses their job starting in April 2020 and where all income is assumed to come from earnings. The worker in the "low-wage" household is assumed to earn $500 a week, and the worker in the "high-wage" household is assumed to earn $1,500 a week.

Without expanded UI and the Economic Impact Payment, the illustrative low-wage household would have experienced a 50 percent reduction in income

Figure 2-3. Index of Household Income for Example Households, 2020



Sources: Census Bureau, Current Population Survey Monthly and Annual Social and Economic Supplement; CEA calculations.
Note: A low-wage household earns $500 a week, and a high-wage one earns $1,500. For the methodology used here, see CEA (2020).

in April through August, while the illustrative high-wage household would have experienced a 68 percent reduction in these two months. As a result of Federal action, the low-wage household instead experiences a 240 percent increase in income in April, a 70 percent increase in May through July, and a 10 percent increase in August relative to its income in February. The high-wage household instead experiences a 28 percent increase in April, a 28 percent decrease in May through July, and a 48 percent decrease in August. Thus, not only did Federal action provide greater income protection for both households relative to the counterfactual scenario with no CARES Act, but also provided greater income protection for lower-wage households than higher-wage households.

The especially large increases in incomes for lower-income households can also be seen in reductions in poverty in the months immediately following the CARES Act. Han, Meyer, and Sullivan (2020) use near real-time data from the monthly Current Population Survey to estimate poverty rates each month based on the previous 12 months of income. In updated analysis, they find that the poverty rate in every month between March and September was near or below the pre-COVID poverty rate of 11.0 percent in February 2020 (see figure 2-4). Han, Meyer, and Sullivan estimate that CARES Act provisions reduced the poverty rate by 4.0 percentage points in the 12 months ending June 2020. Parolin, Curran, and Wimer (2020) project that CARES Act provisions could significantly reduce the poverty rate for calendar year 2020.

Figure 2-4. Percent Below Federal Poverty Line, 2019–20

Population below 100 percent of the Federal poverty line (percent)

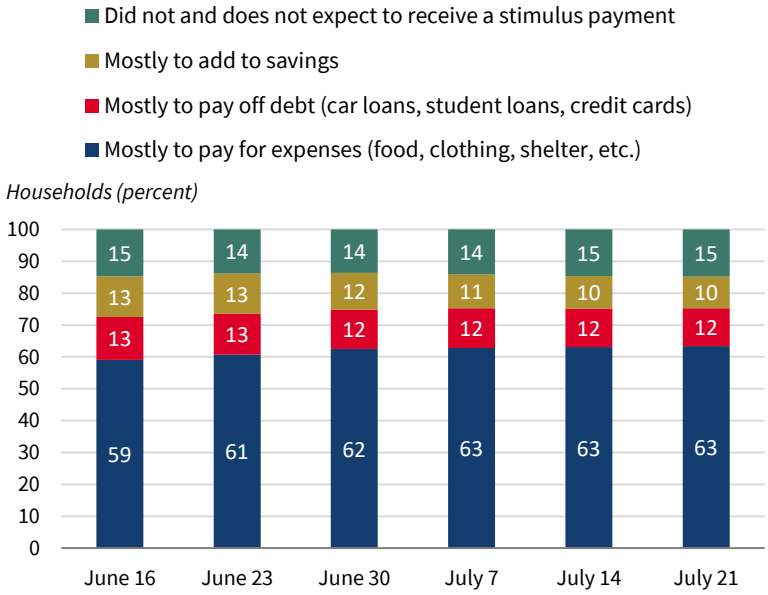


Source: Meyer and Sullivan (2020).

As of June 16, data from the Census Bureau Household Pulse Survey indicate that the vast majority (85.3 percent) of households had received an Economic Impact Payment (figure 2-5). The quick timing of Economic Impact Payments helped ensure that households could meet their basic needs. Indeed, as of June 16, only 12.8 percent of households reported mostly using their Economic Impact Payment to add to their savings accounts, and 13.5 percent mostly used it to pay off debt such as car loans, student loans, and credit cards. By contrast, about 59.1 percent of households used their Economic Impact Payment to pay for expenses such as food, clothing, and shelter. Baker and others (2020) show that over 20 percent of Economic Impact Payments were spent within 10 days of receipt, and spending increased the most for food, rent, bills, and nondurables. Chetty and others (2020) find that Economic Impact Payments had a large effect on spending by low-income households, allowing them to return their spending levels to pre-COVID levels by late April.

In addition to helping ensure that households did not experience income losses, the CARES Act attempted to help households maintain housing stability by halting all foreclosures and evictions for properties with federally backed mortgages. Estimates by the Federal Reserve Bank of Atlanta suggest that this covered between 28 and 46 percent of all rental units. This partial eviction moratorium, in combination with local eviction moratoriums in many cities,

Figure 2-5. Households' Receipt and Use of Economic Impact Payment, 2020



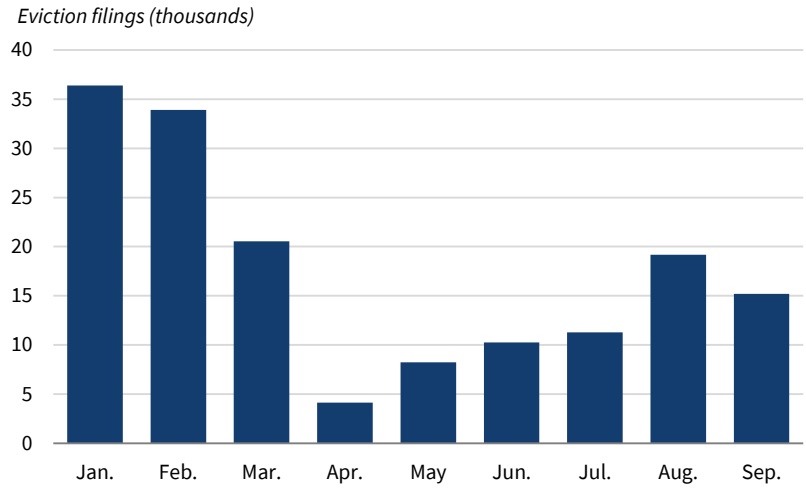
Sources: Census Bureau, Household Pulse Survey; CEA calculations.

helped reduce evictions to below pre-COVID levels. According to data from the Eviction Lab, evictions in all the cities that it tracks were on average 66 percent lower in April through August 2020 than in February (figure 2-6).

The Trump Administration's temporary nationwide moratorium on evictions for eligible renters beginning on September 4 appears to have helped reduce evictions as well. Figure 2-7 shows evictions in the nine cities tracked by the Eviction Lab that did not have a local eviction moratorium at the time of the CDC order. Relative to the total number of evictions in these nine cities during the week beginning August 30 (before the CDC order), evictions were 41 percent, 11 percent, and 30 percent lower during the next three weeks.

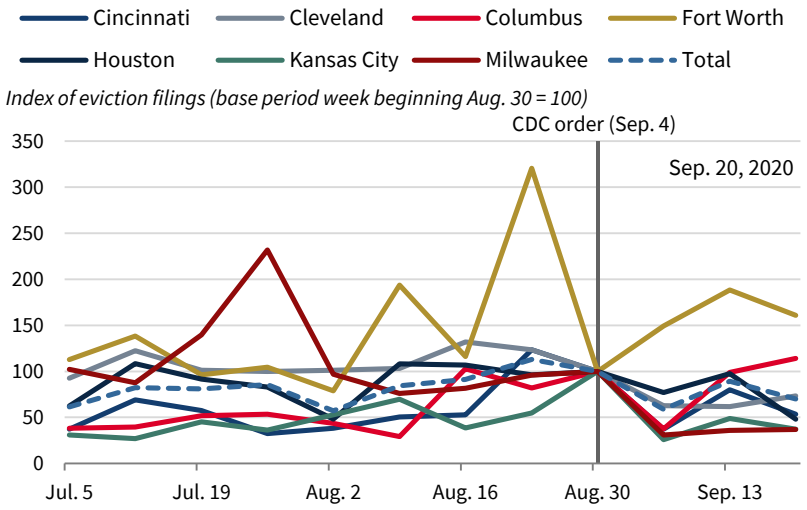
One risk with an eviction moratorium is that nonpayment of rent could have increased, leaving landlords unable to pay mortgages and other costs. However, unprecedented income support via Economic Impact Payments and expanded UI benefits may have mitigated this problem. In fact, data from the National Multifamily Housing Council (2020) show that the rate of missed rental payments in multifamily housing properties had increased by only 1 to 2 percentage points in May through September of 2020, compared with the same month one year earlier.

Figure 2-6. Evictions in Selected Cities by Month, 2020



Sources: Hepburn, Louis, and Desmond (2020); CEA calculations.
Note: Eviction counts are for Austin, Boston, Bridgeport, Charleston, Cincinnati, Cleveland, Columbus, Fort Worth, Gainesville, Hartford, Houston, Jacksonville, Kansas City, Memphis, Milwaukee, Phoenix, Pittsburgh, Richmond, Saint Louis, Tampa, and Wilmington.

Figure 2-7. Eviction Filings in Selected Cities, 2020



Sources: Hepburn, Louis, and Desmond (2020); CEA calculations.
Note: Data are weekly; dates correspond to the first day of the reference week. The base period, the week of August 30–September 6, is equal to 100 for all series. On September 4, a CDC order temporarily halting evictions across the country went into effect.

Spurring a Return to the Pre-COVID Economy

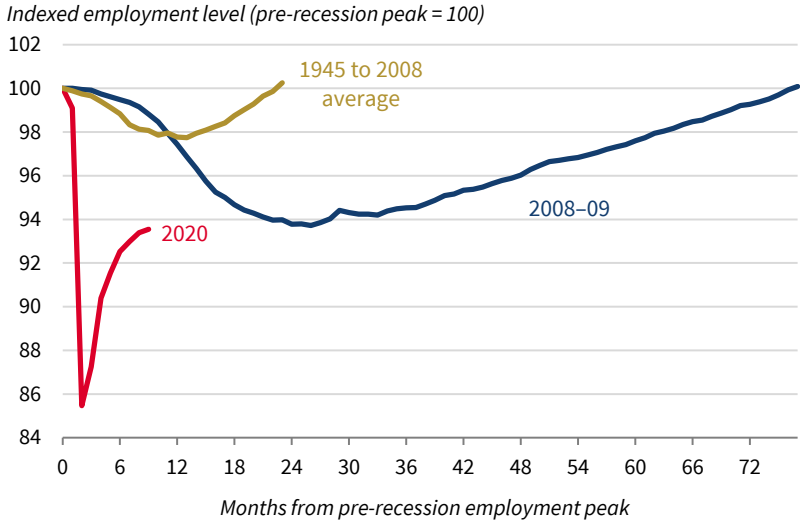
Provisions in the CARES Act and other legislation, along with President Trump's executive actions, provided immediate relief to U.S. households. However, the most important way to ensure long-term gains in living standards is a rapid economic recovery.

A central CARES Act component intended to promote a rapid recovery was the Paycheck Protection Program, which helped keep workers employed by authorizing $349 billion to support payroll and other expenses for small businesses, self-employed individuals, Tribal business concerns, and nonprofit or veterans' organizations during the COVID-19 crisis. As part of the PPP and Health Care Enhancement Act, an additional $310 billion was appropriated to the program. Although the funds were issued as loans, they could be fully forgiven if no less than 60 percent (originally, 75 percent) of the funds were used for payroll. Other expenses eligible for loan forgiveness included mortgage interest, rent, and utilities. To further encourage employers to maintain ties with workers, employers whose operations were disrupted by COVID-19 but did not receive a PPP loan were offered an employee retention tax credit worth up to $5,000 per retained employee.

As discussed further in chapter 3 of this *Report*, these policies helped hasten the economic recovery. For example, Autor and others (2020) use administrative payroll data to compare employment changes at firms that were somewhat below and somewhat above the 500-employee cutoff for PPP loan eligibility. They find that the PPP saved between 1.4 million and 3.2 million jobs through the first week of June, based on an assumption that firms somewhat below the eligibility cutoff would have seen employment changes similar to those experienced by firms somewhat above the eligibility cutoff. If, however, smaller firms would have experienced larger employment losses than larger firms in the absence of the PPP, then the true impact of the PPP would be significantly larger than that estimated by the authors. Other studies find a range of early effects of PPP on employment (Bartik et al. 2020; Chetty et al. 2020; Granja et al. 2020). It is important to note that because PPP stemmed business closures, the total employment effect is likely to be considerably larger over time as those salvaged businesses rehire furloughed workers. In total, Standard & Poor's U.S. Chief Economist Beth Ann Bovino estimates that PPP could have saved upward of 13.6 million jobs, and JPMorgan Chase's Jamie Dimon estimates that PPP saved 35 million jobs (Fox et al. 2020; Ruhle, Miranda, and Capetta 2020).

After the unemployment rate rose from 3.5 percent in February 2020 to 14.7 percent in April 2020, forecasters expected that it would continue increasing and remain above 10 percent for the remainder of 2020. However, contrary to expectations, the unemployment rate fell to 6.7 percent just seven months later. By comparison, after the unemployment reached its peak in October

Figure 2-8. Labor Market Recovery Comparisons by Recessions, 1945–2020



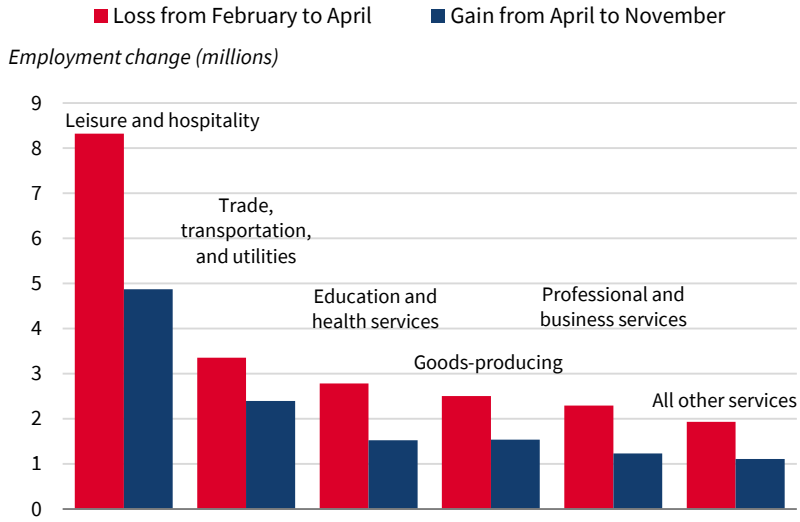
Sources: Bureau of Labor Statistics, Current Employment Statistics; National Bureau of Economic Research; CEA calculations.

2009 during the Great Recession, in over a decade it had still not fallen by as much as it did between April and November 2020. Figure 2-8 shows that the recovery from the COVID shock has been much faster than that from the Great Recession and all other postwar recessions in regaining lost employment.

Workers in every major private sector industry have experienced employment gains. Between April and November, the leisure and hospitality industry regained 59 percent (4.9 million) of jobs lost; trade, transportation and utilities regained 71 percent (2.4 million); and education and health services regained 55 percent (1.5 million) (figure 2-9). Black workers have regained 53 percent, Hispanic workers have regained 66 percent, Asian American workers have regained 66 percent, and White workers have regained 66 percent of jobs lost.

The policy response to the most sudden and severe economic downturn since the Great Depression was unprecedented. It provided extensive relief to households that would otherwise have suffered substantial losses of income, and it set the economic recovery on a strong footing. Of course, continued progress is needed to return to the strong pre-COVID economy. In addition, there is near-term risk that policy and behavioral responses to a resurgence of COVID-19 could disrupt the considerable labor market recovery observed to date. For this reason, in late 2020 the Administration continued to articulate support for additional fiscal measures to provide a bridge to the widespread availability of vaccine candidates developed under Operation Warp Speed (Goodspeed and Navarro 2020).

Figure 2-9. Private Payroll Job Losses by Sector since February 2020



Sources: Bureau of Labor Statistics, Current Employment Statistics; CEA calculations.
Note: "All other services" is the sum of the financial activities, information, and "other services" categories.

Conclusion

The COVID-19 pandemic and subsequent lockdowns caused a historic shock to the U.S. economy. The unemployment rate increased from a 50-year low of 3.5 percent in February 2020 to 14.7 percent just two months later. Experts forecasted that the unemployment rate would remain above 10 percent for the remainder of 2020. Without policy action, the loss in employment and earnings threatened the ability of millions of American households to pay for food, housing, and other basic necessities.

Fortunately, the policy response from the Federal Government was immediate, unprecedented in scale, and targeted to the most vulnerable households and firms. The Trump Administration worked with Congress to pass and sign three major bills in March 2020, providing over $2 trillion in relief to fund direct payments to U.S. households, assistance to employers to keep workers on payroll, expanded and enhanced unemployment assistance, measures to prevent housing foreclosures and evictions, and a number of other measures intended to provide relief to Americans and bolster the economy's recovery. In August 2020, President Trump followed up with a series of executive actions that extended further relief to American households, including providing lost wages assistance and a moratorium on residential evictions.

These actions led to historic *increases* in household incomes, especially at the lower end of the income distribution, along with decreases in poverty

and evictions. In the long run, however, the success of actions taken to support households will depend on how quickly the economy recovers. Between April and November, the unemployment rate fell by 8.0 percentage points, from 14.7 to 6.7 percent, the largest seven-month decline on record. Although more progress is needed, the economy has recovered much more quickly than forecasters initially expected. Fortunately, the strong pre-COVID economy—in which unemployment fell to a 50-year low, labor force participation grew stronger, the poverty rate reached a record low, and median income experienced the largest one-year increase in 50 years—together with unprecedented Federal action during the COVID-19 crisis, has paved the way for a strong economic recovery.